



**ҚазМұнайГаз**  
NATIONAL COMPANY ҰЛТТЫҚ КОМПАНИЯСЫ

# NC KMG

## Operational and financial results 2Q and 1H 2017



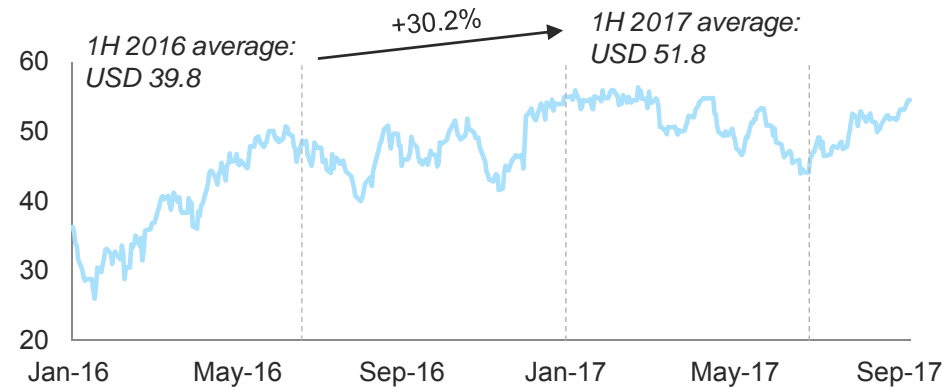
# Disclaimer

## Forward-looking statements

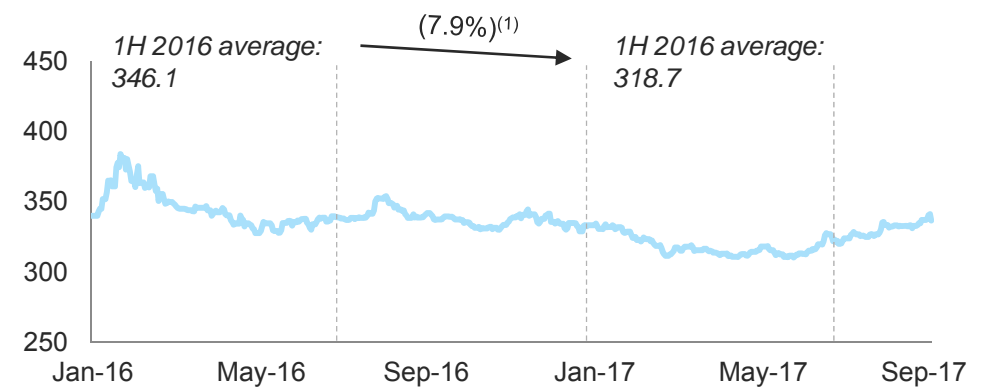
This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including, but not limited to, the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “target”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They include, but are not limited to, statements regarding JSC NC “KazMunayGas” (“NC KMG”) intentions, beliefs and statements of current expectations concerning, amongst other things, the Company’s results of operations, financial condition, liquidity, prospects, growth, strategies and as to the industries in which the Company operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may or may not occur. Forward-looking statements are not guarantees of future performance and the actual results of the Company’s operations, financial condition and liquidity and the development of the country and the industries in which the Company operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this document. The Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements or industry information set out in this document, whether as a result of new information, future events or otherwise. The Company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved.

# Macroeconomic environment

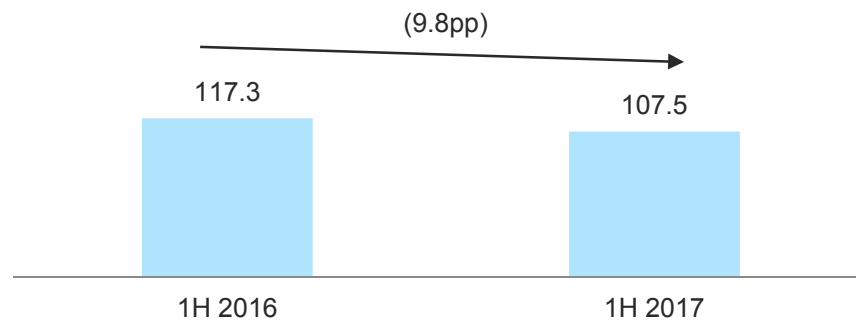
## Brent price (USD/bbl)



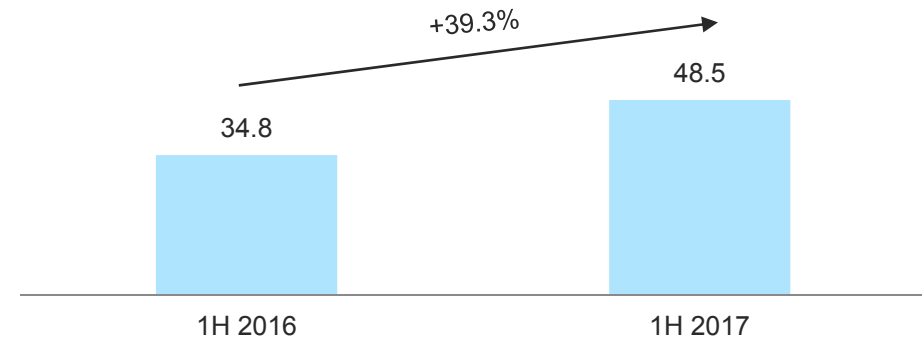
## USD/KZT rate



## Kazakhstan CPI



## Export duty per barrel (USD/tonne)



(1) Or 8.6% appreciation of KZT vs USD  
Source: Company data

# Key developments in 1H 2017

## Upstream

- ✓ Kashagan (NCOC) produced 291kt of oil net to NC KMG in 1H 2017 following launch of commercial production in November 2016
- ✓ On 10 August 2017, Kashagan received additional prepayment in the amount of USD 600m and made early repayment of the second tranche of deferred obligation under the 2008 PSA

## Downstream

- ✓ On 30 June 2017, Phase 1 of Shymkent refinery modernisation was completed (a gasoline tops isomerization plant commissioned)
- ✓ Modernisation works at Atyrau and Pavlodar refineries planned to be completed in 2017, Shymkent refinery upgrade to be completed in 2018

## Corporate / Financing

- ✓ In April 2017, NC KMG issued a new triple-tranche USD Eurobond rated Baa3/BB/BBB- for the total amount of USD 2.75bn, which represented the largest corporate transaction from the CIS since 2013
- ✓ In May 2017, KMG EP (63% owned by NC KMG) received prepaid tax payments in the amount of KZT 27bn returned as a result of appeal for 2009-2012 tax audit
- ✓ On 3 August 2017, Moody's revised its outlook on NC KMG credit rating from "Negative" to "Stable"

Source: Company data

# Summary operating and financial highlights (1H 2017)

	Item	Unit	1H 2017	1H 2016	% change
Upstream	Oil and condensate production	kt	11,617	11,325	2.6
	Gas production	mcm	4,032	3,675	9.7
Midstream	Oil transportation	kt	31,989	31,661	1.0
	Pipelines	kt	28,893	28,278	2.2
	Sea transport	kt	3,096	3,383	(8.5)
	Gas transportation	mcm	47,667	44,892	6.2
Downstream	Refining throughput	kt	8,177	8,168	0.1
Financial highlights	Revenue	KZTbn	1,144	694	64.9
		USDm <sup>(4)</sup>	3,589	2,009	78.6
	EBITDA <sup>(1)(2)</sup>	KZTbn	588	372	58.1
		USDm <sup>(4)</sup>	1,844	1,078	71.1
	Net profit	KZTbn	274	104	162.6
		USDm <sup>(4)</sup>	861	303	184.5
	Capex <sup>(3)</sup>	KZTbn	266	263	1.0
		USDm <sup>(4)</sup>	833	762	9.4
	Net debt <sup>(1)</sup>	KZTbn	1,130	1,136 <sup>(6)</sup>	(0.5)
		USDm <sup>(5)</sup>	3,506	3,354 <sup>(6)</sup>	4.5

(1) Calculated with relevant adjustments made for the assets classified as for sale

(2) The Company calculates EBITDA for any relevant period as profit before income tax for such period plus finance cost for such period plus depreciation, depletion, amortisation and impairment of long-lived assets for such period

(3) Capital expenditure as reported in segmental reporting section of the financial statements

(4) Converted from KZT to USD at the following exchange rates: for 1H 2017 – 318.7, for 1H 2016 – 345.3

(5) Converted from KZT to USD at the following exchange rates: for 1H 2017 – 322.3, for 1H 2016 – 338.7

(6) Net debt is as at YE2016

Source: Company data

# Summary operating and financial highlights (2Q 2017)

	Item	Unit	2Q 2017	1Q 2017	% change
<b>Upstream</b>	Oil and condensate production	kt	5,856	5,761	1.6
	Gas production	mcm	2,002	2,030	(1.4)
<b>Midstream</b>	Oil transportation	kt	16,227	15,764	2.9
	Pipelines	kt	14,631	14,264	2.6
	Sea transport	kt	1,596	1,500	6.4
	Gas transportation	mcm	19,253	25,618	(24.8)
<b>Downstream</b>	Refining throughput	kt	3,981	4,194	(5.1)
<b>Financial highlights</b>	Revenue	KZTbn	552	592	(6.7)
		USDm <sup>(2)</sup>	1,752	1,837	(4.6)
	Net profit	KZTbn	171	103	66.5
		USDm <sup>(2)</sup>	544	320	70.3
	Capex <sup>(1)</sup>	KZTbn	137	129	6.4
		USDm <sup>(2)</sup>	435	400	8.6

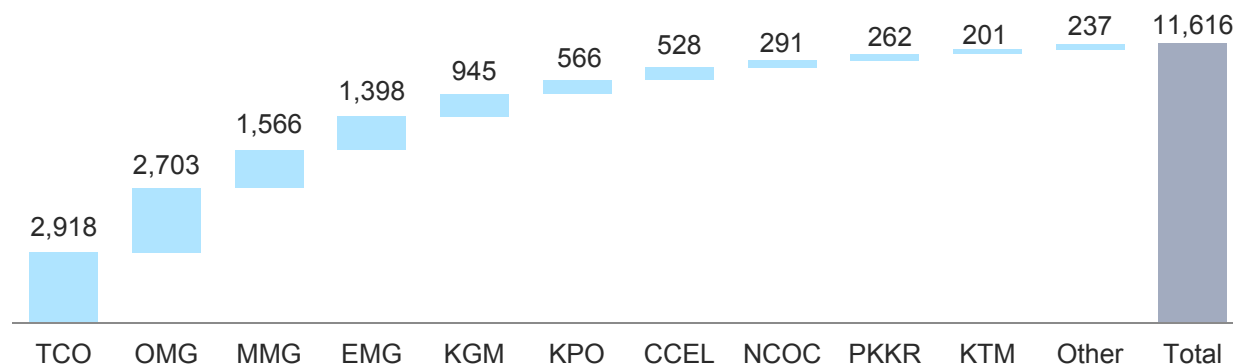
(1) Capital expenditure as reported in segmental reporting section of the financial statements

(2) Converted from KZT to USD at the following exchange rates: for 2Q 2017 – 315.0, for 1Q 2017 – 322.3

Source: Company data

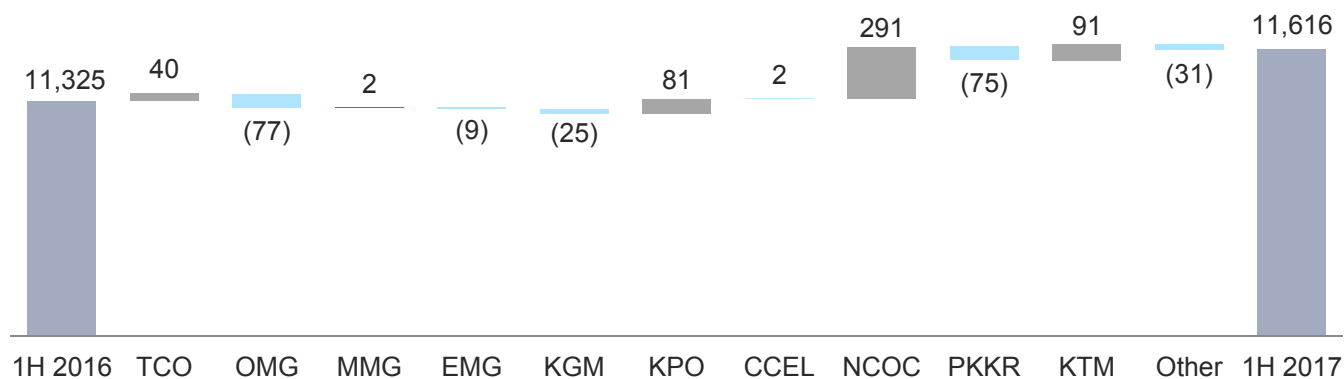
# Key operating results: upstream (1/2)

## Oil and condensate production in 1H 2017 (kt)



- Major contributors to oil and condensate production in 1H 2017 were TCO, OMG, MMG and EMG

## Oil and condensate production (1H 2017 vs 1H 2016, kt)

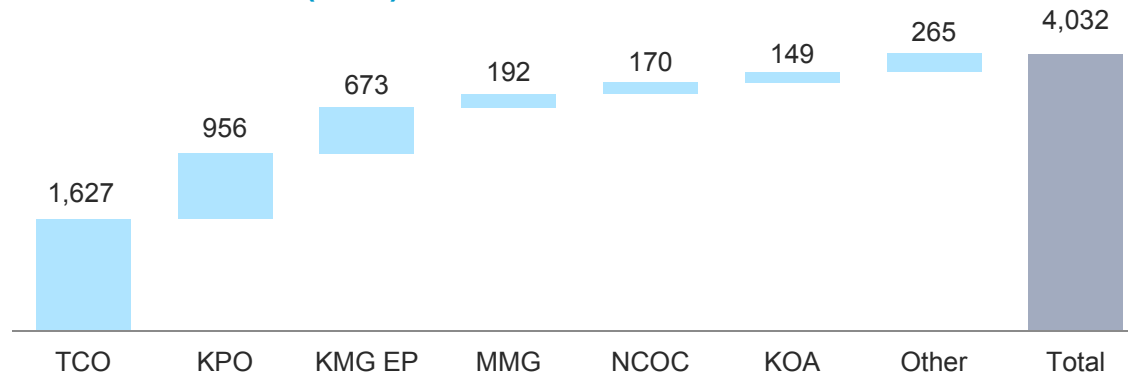


- Increase in production of oil and condensate in 1H 2017 was mainly driven by start of production at Kashagan (NCOC)
- KPO contributed to 1H 2017 production post production halts in 2016
- OMG and EMG production decline was in line with adopted production programme for 2017

Source: Company data

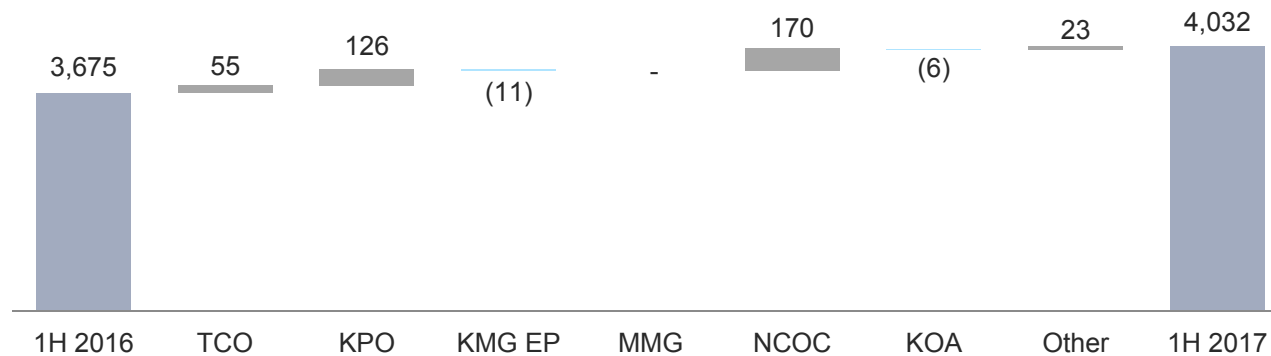
# Key operating results: upstream (2/2)

## Gas production in 1H 2017<sup>(1)</sup> (mcm)



- Major contributors to gas production in 1H 2017 were TCO, KPO and KMG EP

## Gas production<sup>(1)</sup> (1H 2017 vs 1H 2016, mcm)



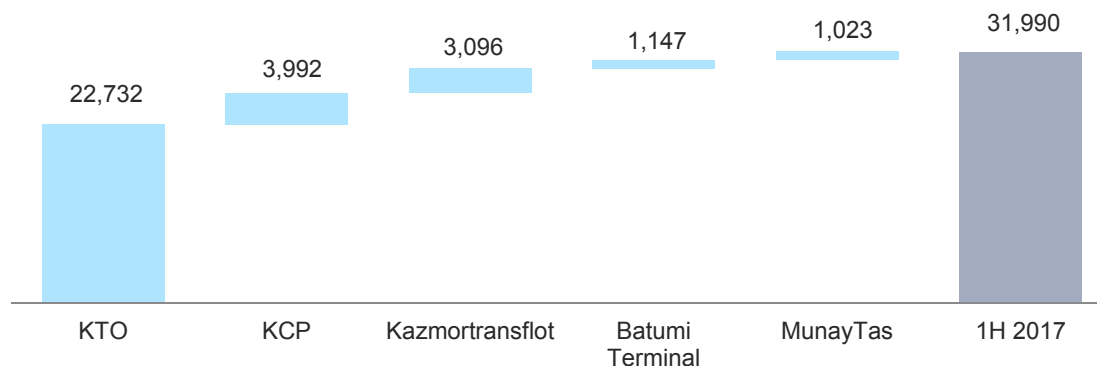
- Start of gas production at Kashagan was one of the key factors of production increase
- KPO contributed to 1H 2017 production post production halts in 2016

(1) Total production including gas for reinjection  
Source: Company data



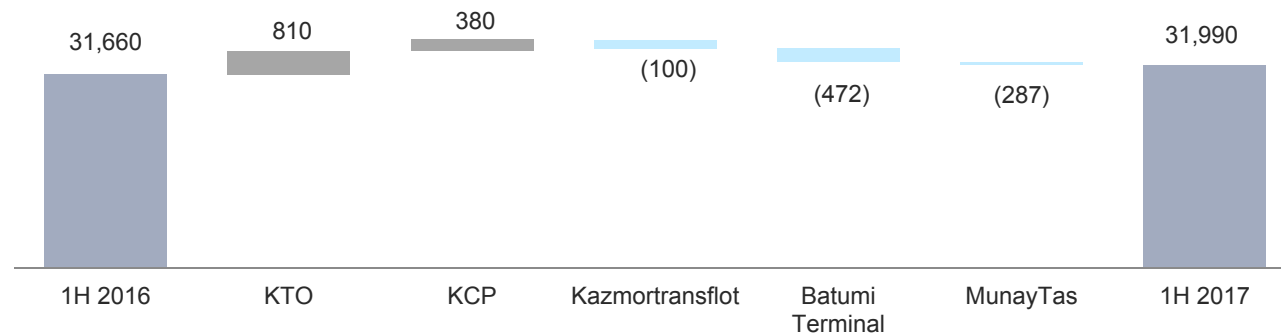
# Key operating results: midstream

## Total hydrocarbons transportation in 1H 2017 (kt)



- Major contributors to hydrocarbons transportation in 1H 2017 were KTO, KCP and Kazmortransflot

## Total hydrocarbons transportation (1H 2017 vs 1H 2016, kt)

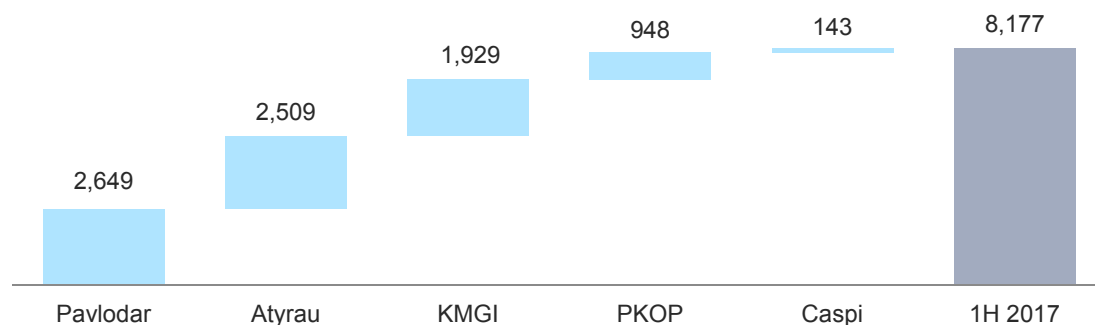


- Volumes at KTO increased due to a new agreement with Rosneft and start of production at Kashagan (NCOC)
- Decline at Batumi Terminal was driven by redirection of light oil products from Azerbaijan to the port of Kulevi and lower volumes from Turkmenistan
- Lower volumes of oil shipments to Turkmenistan and Azerbaijan were also a key factor of decline

Source: Company data

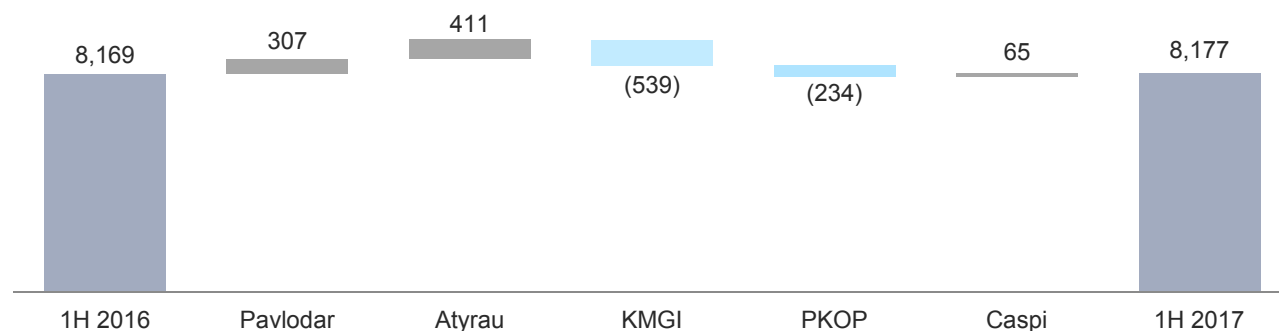
# Key operating results: downstream

## Refining throughput in 1H 2017<sup>(1)</sup> (kt)



- Major contributors to refining volumes in 1H 2017 were Pavlodar refinery, Atyrau refinery and KMGI

## Refining throughput<sup>(1)</sup> (1H 2017 vs 1H 2016, kt)

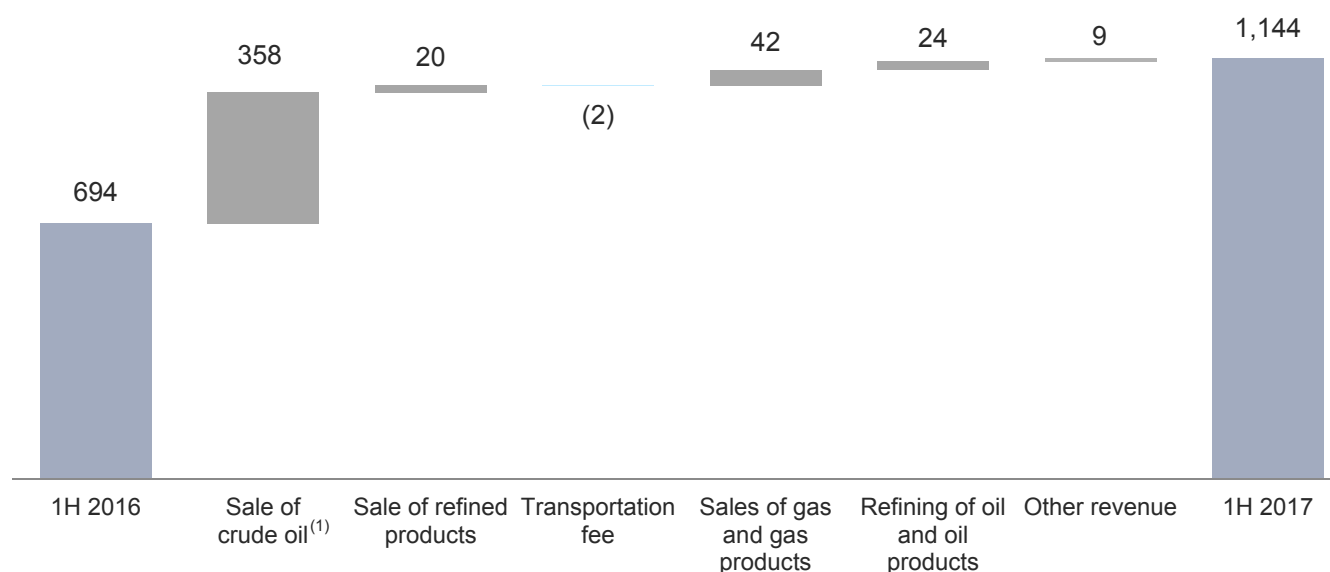


- Refining of oil from third parties and KMG EP increased at Atyrau and Pavlodar refineries
- Volumes at PKOP decreased due to scheduled repair works in March-April 2017
- Unfavorable weather conditions at the Black Sea affected performance of KMGI

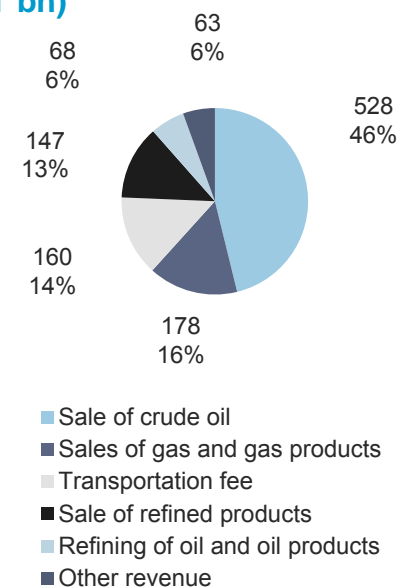
(1) Refining volume is regulated via Production program affirmed by the Ministry of Energy of Kazakhstan  
Source: Company data

# Key financial results: revenue

Revenue dynamics (KZT bn)



Revenue composition in 1H 2017 (KZT bn)

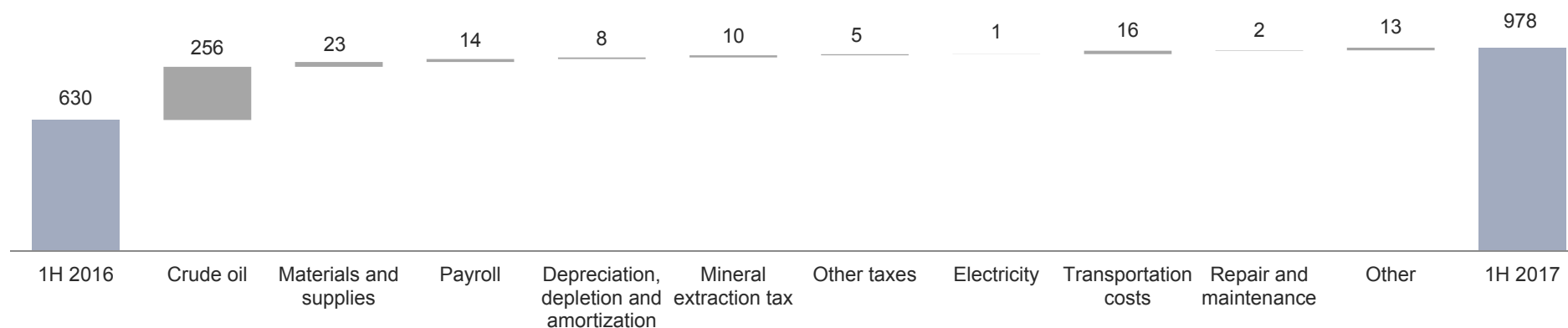


- Increase in revenue is primarily driven by
  - growth in sales of crude oil under TCO Advanced Oil Sale Transaction
  - higher oil prices in 1H 2017 compared to 1H 2016 (average Brent price increase by 30% YoY)
  - growth in income from sales of refined products and from refining & oil products is in line with increased refining volumes at 3 Kazakh refineries out of four (overall increase at 3 refineries is +17%YoY)

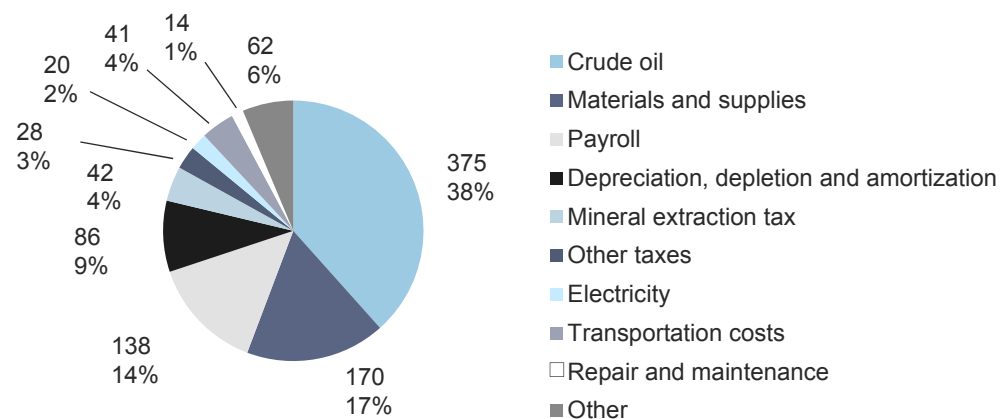
(1) Including change in quality bank for crude oil  
Source: Company data

# Key financial results: cost of sales

## Cost of sales (KZT bn)



## Cost of sales composition in 1H 2017 (KZT bn)

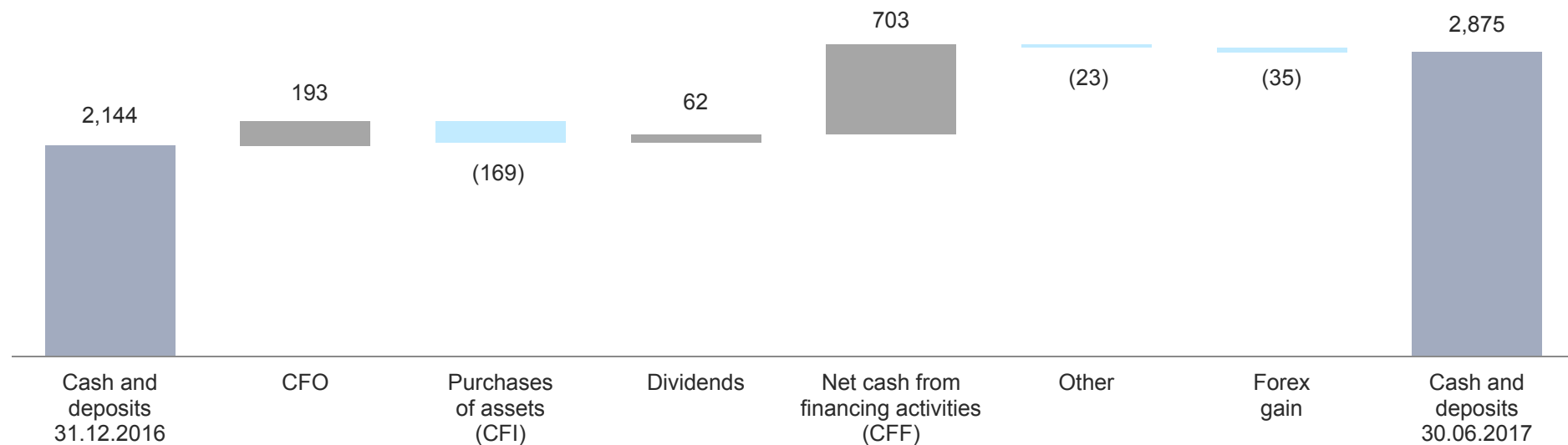


- Increase in cost of sales is mainly attributable to growth in cost of crude oil which relates to sales of crude oil pursuant to the TCO Advanced Oil Sale Transaction
- Gross margin increased from 9.2% in 1H 2016 to 14.5% in 1H 2017

Source: Company data

# Cash & deposits

## Changes in cash and deposits over 1H 2017<sup>(1)</sup> (KZT bn)



- NC KMG demonstrated positive cash dynamics in H1 2017, primarily driven by substantial cash from financing activities (mainly from USD 2.75bn Eurobond issue) as well as contribution of cash flow from operating activities

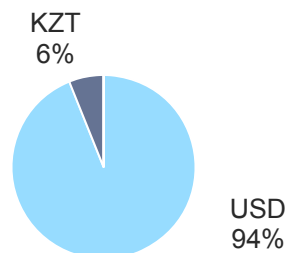
(1) Including the share of discontinued operations  
Source: Company data

# Debt overview

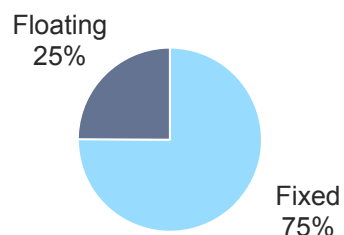
## Debt position (as of 30-Jun-17)

- Total debt as of 30-Jun-17 is KZT 4,005bn, or c.USD 12.4bn

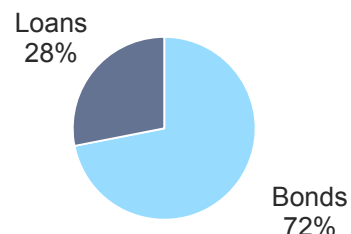
### By currency



### By interest rate



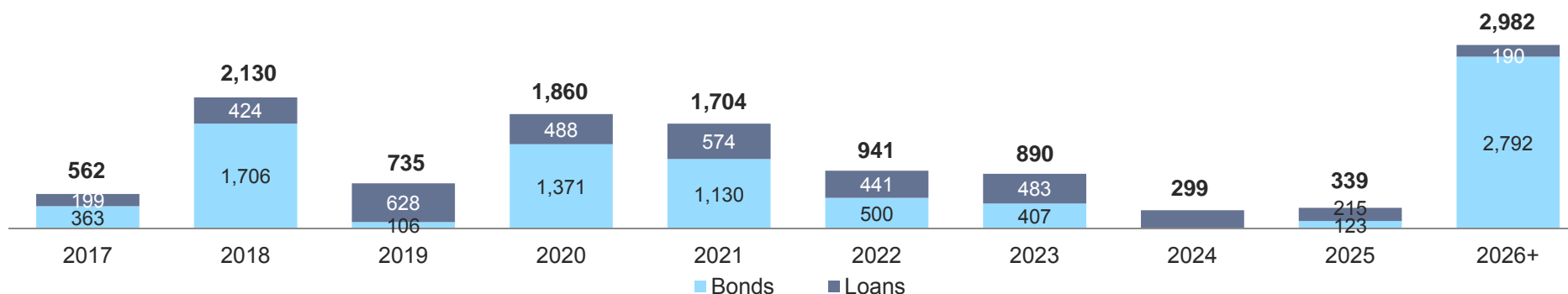
### By instrument type



## Highlights

- Rated Baa3 / BBB- / BB by Moody's / Fitch / S&P
- In 1H 2017, NC KMG further improved its debt portfolio structure and, among other things:
  - optimised debt maturity schedule shifting a significant share of indebtedness to 2026 and beyond
  - issued a new triple-tranche USD 2.75 billion Eurobond (due in 2022, 2027 and 2047)

## Long-term debt maturity profile (USDm<sup>(1)</sup>)



(1) Converted from KZT to USD at the exchange rate of 322.3 (as of 30 June 2017)  
Source: Company data

# Leverage dynamics

Item	Unit	YE2014	YE2015	YE2016	1H2017
<b>Gross debt</b>	<b>USDm</b>	<b>17,018</b>	<b>10,197</b>	<b>9,840</b>	<b>12,427</b>
Cash	USDm	8,878	5,309	6,433	8,920
<b>Net debt</b>	<b>USDm</b>	<b>8,141</b>	<b>4,888</b>	<b>3,406</b>	<b>3,506</b>
Guaranteed obligations <sup>(1)</sup>	USDm	545	566	718	732
<b>Net Debt/EBITDA<sup>(2)</sup></b>	<b>x</b>	<b>3.18</b>	<b>2.75</b>	<b>1.66</b>	<b>1.64</b>

- Leverage has been gradually decreasing over the last years – net debt/EBITDA amounted to 1.64x as of 30 June 2017
- For the purposes of covenant testing, net debt includes guaranteed obligations at Beineu-Shymkent Gas Pipeline LLP

(1) Beineu-Shymkent Gas Pipeline LLP (50% owned by KMG)

(2) In accordance with Bond definition for covenant testing

Source: Company data

# Prepayments overview

Item	Unit	YE2014	YE2015	YE2016	1H2017
Prepayments for TCO crude oil deliveries	USDm			3,000	2,750
Prepayments for Kashagan crude oil deliveries <sup>(1)</sup>	USDm			1,000	1,000

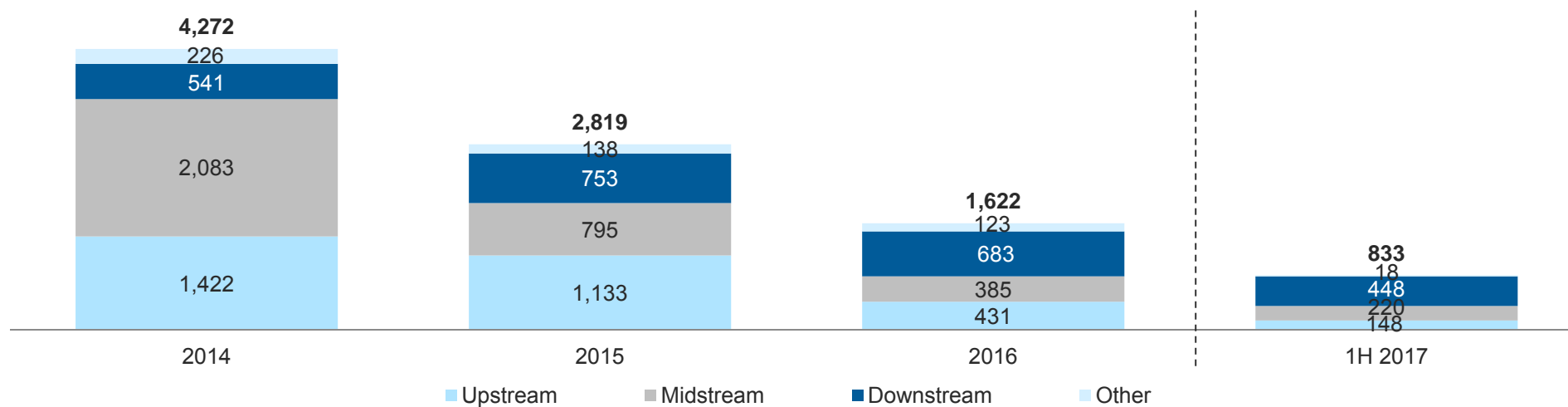
- In 2016 NC KMG entered into a long-term crude oil and LPG supply agreement involving prepayments
- Total minimum delivery volume is c.30mt of crude oil and 1mt of LPG in the period from the date of the contract to March 2020
- In 1H 2017 NC KMG partially settled the prepayments by oil supply in the total amount of USD 250 million

(1) At Kashagan BV level (50% owned by KMG)  
Source: Company data



# Capex overview

## Historical capex (USDm<sup>(1)</sup>)



## Key investment projects

- Modernisation works at the Atyrau refinery
- Construction works at the Pavlodar refinery
- NC KMG exploration projects
- KMG EP production support and volume increase capex

(1) Converted from KZT to USD at the following exchange rates: for 2014 – 179.1, for 2015 – 222.3, for 2016 – 341.8, for 1H 2017 – 318.7  
Source: Company data



# Appendix

# Interim condensed consolidated balance sheet

	(000s of KZT)	
	As of 30 June 2017	As of 31 December 2016
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,098,985,688	2,953,135,665
Exploration and evaluation assets	229,871,551	231,553,168
Investment property	28,909,630	29,480,044
Intangible assets	114,625,393	116,488,612
Long-term bank deposits	47,940,337	50,027,102
Investments in joint ventures and associates	3,721,004,864	3,706,276,810
Deferred income tax asset	59,952,715	71,909,033
VAT receivable	91,871,029	71,918,992
Advances for non-current assets	124,892,295	139,185,121
Bonds receivable from the Samruk-Kazyna	37,837,823	37,683,003
Note receivable from a shareholder of a joint venture	18,530,886	16,695,758
Note receivable from associate	30,808,367	34,837,804
Loans due from related parties	483,063,745	476,777,932
Other non-current assets	27,611,017	20,687,850
<b>Total non-current assets</b>	<b>8,115,905,340</b>	<b>7,956,656,894</b>
<b>Current assets</b>		
Inventory	107,235,277	98,776,900
VAT receivable	80,531,716	68,719,671
Income tax prepaid	37,744,923	74,457,414
Trade accounts receivable	175,667,786	279,811,631
Short-term bank deposits	1,862,170,183	1,182,669,493
Bonds receivable from Samruk-Kazyna	2,220,000	4,440,000
Loans due from related parties	114,829,658	113,616,133
Note receivable from a shareholder of a joint venture	17,034,122	17,617,100
Other current assets	130,717,782	149,079,608
Cash and cash equivalents	933,671,463	878,438,350
<b>Total current assets</b>	<b>3,461,822,910</b>	<b>2,867,626,300</b>
Assets classified as held for sale	1,012,925,350	1,058,794,076
	<b>4,474,748,260</b>	<b>3,926,420,376</b>
<b>Total assets</b>	<b>12,590,653,600</b>	<b>11,883,077,270</b>

Source: Consolidated financial statements for the six months ended 30 June 2017

# Interim condensed consolidated balance sheet (cont'd)

	(000s of KZT)	
	As of 30 June 2017	As of 31 December 2016
<b>Equity</b>		
Share capital	709,344,505	696,376,625
Additional paid-in capital	241,883,160	243,655,405
Other equity	115,195	222,074
Currency translation reserve	1,265,037,452	1,372,771,521
Retained earnings	3,355,330,918	3,163,685,193
<b>Attributable to equity holder of the Parent Company</b>	<b>5,571,711,230</b>	<b>5,476,710,818</b>
Non-controlling interest	813,004,503	801,560,097
<b>Total equity</b>	<b>6,384,715,733</b>	<b>6,278,270,915</b>
<b>Non-current liabilities</b>		
Borrowings	3,559,110,310	2,706,101,321
Provisions	144,856,432	139,371,823
Deferred income tax liabilities	286,073,677	264,599,978
Financial guarantee	11,488,619	12,259,980
Prepayment on oil supply agreements	553,016,931	738,572,306
Other non-current liabilities	50,728,398	52,509,205
<b>Total non-current liabilities</b>	<b>4,605,274,367</b>	<b>3,913,414,613</b>
<b>Current liabilities</b>		
Borrowings	247,097,715	366,438,649
Provisions	78,702,631	94,394,277
Income tax payable	9,730,663	2,301,839
Trade accounts payable	192,432,763	260,137,009
Other taxes payable	52,909,893	34,014,457
Financial guarantee	1,321,894	1,211,481
Prepayment on oil supply agreements	322,270,000	249,967,500
Other current liabilities	171,724,203	119,042,249
<b>Total current liabilities</b>	<b>1,076,189,762</b>	<b>1,127,507,461</b>
Liabilities directly associated with assets classified as held for sale	524,473,738	563,884,281
<b>Total liabilities</b>	<b>6,205,937,867</b>	<b>5,604,806,355</b>
<b>Total equity and liabilities</b>	<b>12,590,653,600</b>	<b>11,883,077,270</b>

Source: Consolidated financial statements for the six months ended 30 June 2017

# Interim condensed consolidated income statement

	(000s of KZT)	
	1H 2017	1H 2016
<b>Revenue</b>	<b>1,143,864,345</b>	<b>693,756,422</b>
Cost of sales	(977,661,272)	(629,641,916)
<b>Gross profit</b>	<b>166,203,073</b>	<b>64,114,506</b>
General and administrative expenses	(32,269,212)	(64,970,264)
Transportation and selling expenses	(132,846,145)	(94,827,509)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets, other than goodwill	(2,971,703)	(1,912,153)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net	(1,020,522)	(5,366,273)
Other operating income	5,733,211	8,880,769
Other operating expenses	(14,085,447)	(8,951,245)
<b>Operating profit/(loss)</b>	<b>(11,256,745)</b>	<b>(103,032,170)</b>
Net foreign exchange gain/(loss)	18,658,552	(2,802,575)
Finance income	56,694,233	50,510,545
Finance cost	(138,114,147)	(111,452,613)
Reversal of impairment of investments in joint ventures	14,686,162	-
Net loss on acquisition on subsidiary	(3,249,292)	-
Share in profit of joint ventures and associates, net	179,460,566	101,959,817
<b>Profit/(loss) before income tax</b>	<b>116,879,329</b>	<b>(64,816,995)</b>
Income tax expense	(90,844,654)	(67,223,554)
<b>Gain/(loss) for the period from continuing operations</b>	<b>26,034,675</b>	<b>(132,040,549)</b>
Profit after income tax for the period from discontinued operations	248,347,479	236,520,010
<b>Net profit for the period attributable to:</b>	<b>274,382,154</b>	<b>104,479,461</b>
Equity holders of the Parent Company	242,814,392	81,707,296
Non-controlling interests	31,567,762	22,772,165
	<b>274,382,154</b>	<b>104,479,461</b>

Source: Consolidated financial statements for the six months ended 30 June 2017

# Interim condensed consolidated income statement (cont'd)

	(000s of KZT)	
	1H 2017	1H 2016
<b>Other comprehensive income</b>		
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>		
Exchange differences on translation of foreign operations	(114,243,111)	(474,099)
Disposal of joint ventures	(423,776)	
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>	<b>(144,666,887)</b>	<b>(474,099)</b>
<b>Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods</b>		
Actuarial (loss)/gain on defined benefit plans of the Group	(37,718)	161,359
Actuarial loss on defined benefit plans of joint ventures	(170,534)	(912,757)
Write-off of deferred tax assets	(150,746)	
<b>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods</b>	<b>(358,998)</b>	<b>(751,398)</b>
<b>Other comprehensive income/(loss) for the period</b>	<b>(115,025,885)</b>	<b>(1,225,497)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>159,356,269</b>	<b>103,253,964</b>
<b>Total comprehensive income for the period attributable to:</b>		
Equity holders of the Parent Company	134,736,502	80,400,549
Non-controlling interests	24,619,767	22,853,415
	<b>159,356,269</b>	<b>103,253,964</b>

Source: Consolidated financial statements for the six months ended 30 June 2017

# Interim condensed consolidated statement of cash flows

	(000s of KZT)	
	1H 2017	1H 2016 (restated) <sup>(1)</sup>
<b>Cash flows from operating activities</b>		
Receipts from customers	2,473,159,114	2,876,231,564
Payments to suppliers	(1,646,611,125)	(1,114,506,140)
Other taxes and payments	(384,880,262)	(379,564,791)
Income taxes paid	(48,044,202)	(58,837,901)
Interest received	44,898,915	30,468,423
Interest paid	(95,941,476)	(76,817,257)
Payments to employees	(170,949,138)	(152,507,549)
Taxes received from Tax authorities	47,321,875	3,739,488
Other payments	(26,304,900)	(34,608,173)
<b>Net cash flow from operating activities</b>	<b>192,648,801</b>	<b>1,093,597,664</b>
<b>Cash flow from investing activities</b>		
(Withdrawal)/placement of bank deposits, net	(711,377,929)	132,040,296
Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets	(168,647,760)	(166,019,365)
Proceeds from sale of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets	505,754	301,354
Proceeds from acquisition of subsidiaries	180,678	–
Dividends received from joint ventures and associates	61,654,826	12,560,016
Acquisition of and contribution to joint ventures	(2,625)	(56,334,899)
Refund of contribution to joint ventures	489,960	1,672,268
Repayment of loan due from related parties	325,158	15,741,731
Note receivable from associate	115,684	3,583,938
Loans given to related parties	(24,733,948)	(81,805,922)
<b>Net cash flow used in investing activities</b>	<b>(841,490,202)</b>	<b>(138,260,583)</b>

(1) The Group changed method of presentation of consolidated cash flow statement  
Source: Consolidated financial statements for the six months ended 30 June 2017

# Interim condensed consolidated statement of cash flows

	(000s of KZT)	
	1H 2017	1H 2016 (restated) <sup>(1)</sup>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	930,211,668	249,999,814
Repayment of borrowings	(221,282,206)	(457,230,778)
Distributions to Samruk-Kazyna	-	(2,202,898)
Dividends paid to Samruk-Kazyna and national Bank of RK	-	(31,104,442)
Dividends aid to non-controlling interests	(5,997,716)	(5,150,989)
Issue of shares	1	1
<b>Net cash flow from/ (used in) financing activities</b>	<b>702,931,747</b>	<b>(245,689,292)</b>
Effects of exchange rate changes on cash and cash equivalents	568,919	10,352,403
<b>Net change in cash and cash equivalents</b>	<b>54,659,265</b>	<b>720,000,192</b>
Cash and cash equivalents, at the beginning of the period	905,452,511	808,434,139
<b>Cash and cash equivalents, at the end of the period</b>	<b>960,111,776</b>	<b>1,528,434,331</b>

(1) The Group changed method of presentation of consolidated cash flow statement  
Source: Consolidated financial statements for the six months ended 30 June 2017



# Interim condensed consolidated statement of cash flows (indirect)(not part of financial statements)

	(000s of KZT)	
	1H 2017	1H 2016 (restated) <sup>(1)</sup>
<b>Cash flows from operating activities</b>		
Profit before income tax from continuing operations	116,879,329	(64,816,996)
Profit before income tax from discontinued operations	247,461,296	235,734,922
<b>Profit before income tax</b>	<b>364,340,625</b>	<b>170,917,926</b>
Adjustments for:		
Depreciation, depletion and amortization	96,314,166	85,945,982
Depreciation, depletion and amortization from discontinued operation	27,523,397	258,359
Share in profit of joint ventures and associates, net	(179,460,556)	(101,959,817)
Share in profit of joint ventures and associates from discontinued operation, net	(221,105)	(1,052,055)
Finance costs	138,114,147	111,452,613
Finance costs from discontinued operation	5,357,603	6,670,471
Finance income	(56,694,233)	(50,510,545)
Finance income from discontinued operation	(613,150)	(1,998,545)
Unrealized gain/(losses) from derivatives on petroleum products	(303,438)	(98,828)
Realized gain from derivatives on petroleum products	71,022	(626,974)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net	1,020,522	5,366,273
Impairment of property, plant and equipment, intangible assets	2,971,703	1,912,153
Impairment of property, plant and equipment, intangible assets from discontinued operation	422,136	-
Adjustment on the re-measurement to fair value less costs to sell	(1,872,277)	27,482,877
Impairment of investments in joint ventures	(14,686,162)	-
Impairment of VAT recoverable	(26,414,368)	6,936,323
Change in share of ownership in joint ventures	-	(9,549)
Revenue under oil supply agreement (settlement of the advances)	(78,775,000)	-
Provisions	2,762,381	2,909,865
Allowance for impairment of trade accounts receivable and other current and non-current assets	1,282,017	3,021,844
Allowance for impairment of trade accounts receivable and other current assets from discontinued operation	325,438	199,308

(1) The Group changed method of presentation of consolidated cash flow statement

# Interim condensed consolidated statement of cash flows (indirect) (not part of financial statements)

	(000s of KZT)	
	1H 2017	1H 2016 (restated) <sup>(1)</sup>
Provision for obsolete and slow-moving inventories	948,994	9,797
Provision for obsolete and slow-moving inventories from discontinued operation	180,873	379,339
Recognition of share based payments	(12,678)	1,347,560
Unrealized foreign exchange gain	4,624,302	(19,399,406)
<b>Operating profit before working capital changes</b>	<b>287,206,349</b>	<b>249,154,971</b>
Change in inventory	(11,140,398)	4,264,736
Change in VAT receivable	(5,715,999)	(18,175,927)
Change in trade accounts receivable and other assets	56,210,531	(47,217,429)
Change in other taxes payable	37,319,963	2,852,803
Change in trade accounts payable	(69,021,409)	(15,498,379)
Changes in advances under oil supply agreement	-	1,024,904,887
Change in other liabilities	(24,448,983)	(1,307,605)
<b>Cash generated from operations</b>	<b>270,410,054</b>	<b>1,198,984,057</b>
Cash received from derivatives, net	(75,886)	317,059
Income taxes paid	(26,642,806)	(58,837,901)
Interest received	44,898,915	30,468,423
Interest paid	(95,941,476)	(76,817,257)
<b>Net cash flow from operating activities</b>	<b>192,648,801</b>	<b>1,094,114,381</b>

(1) The Group changed method of presentation of consolidated cash flow statement

# Interim condensed consolidated statement of cash flows (indirect) (not part of financial statements)

	(000s of KZT)	
	1H 2017	1H 2016 (restated) <sup>(1)</sup>
<b>Cash flows from investing activities</b>		
Withdrawal of bank deposits, net	(711,377,929)	132,040,296
Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets	(168,647,760)	(166,019,365)
Proceeds from sale of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets	505,754	301,354
Dividends received from joint ventures and associates,	61,654,826	12,560,016
Proceeds from acquisition of subsidiaries	180,678	-
Acquisition of and contribution to joint ventures	(2,625)	(56,334,899)
Loans given to related parties	(24,733,949)	(81,805,922)
Repayment of loans and receivable due from related parties	325,158	15,741,731
Refund of contribution to joint ventures	489,960	1,672,899
Note receivable from associate	115,684	3,583,938
<b>Net cash flow from / (used in) investing activities</b>	<b>(841,490,203)</b>	<b>(138,259,952)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	930,211,669	249,999,814
Repayment of borrowings	(221,282,206)	(457,230,778)
Dividends paid to Samruk-Kazyna and National Bank of RK	-	(31,104,442)
Dividends paid to non-controlling interests	(5,997,716)	(5,150,989)
Distributions to Samruk-Kazyna	-	(2,202,898)
Issue of shares	1	-
<b>Net cash flow used in financing activities</b>	<b>702,931,748</b>	<b>(245,689,293)</b>
Effects of exchange rate changes on cash and cash equivalents	568,918	10,352,403
<b>Net change in cash and cash equivalents</b>	<b>54,659,264</b>	<b>720,517,539</b>
Cash and cash equivalents at the beginning of the year	905,452,511	808,434,139
<b>Cash and cash equivalents at the end of the year</b>	<b>960,111,775</b>	<b>1,528,951,678</b>

(1) The Group changed method of presentation of consolidated cash flow statement

# Abbreviations list

NC KMG – JSC National Company KazMunaiGas  
TCO – Tengizchevroil LLP  
KPO - Karachaganak Petroleum Operating B.V.  
MMG – JSC Mangystaumunaigaz  
OMG – JSC OzenMunaiGas  
KGM – JV Kazgermunai LLP  
EMG – JSC EmbaMunaiGas  
CEEL – CITIC Canada Energy Limited (holds 94% in JSC Karazhanbasmunai)  
PKKR – JSC PetroKazakhstan Kumkol Resources  
NCOC – North Caspian Operating Company N.V.  
PKOP – PetroKazakhstan Oil Products LLP  
KTO – JSC KazTransOil  
KCP - Kazakhstan-China Pipeline LLP  
MunayTas – JSC MunayTas North-West Pipeline Company  
KMG I – KMG International  
Caspi – JSC “Caspi Bitum JV”  
KMG EP - JSC KazMunaiGas Exploration Production  
KTM - Kazakhturkmunai LLP  
KOA - Kazakhoil Aktobe LLP  
bbl – barrel  
kt – thousand tonnes  
mt – million tonnes  
LPG – liquefied petroleum gas  
KZT –Tenge (national currency)  
USD - US dollars  
bn – billion  
mcm – million cubic meters  
bcm – billion cubic meters